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Testimony of the American Council of Life Insurers
Before the Insurance and Real Estate Committee
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Senate Bill 860 - Trust-owned or Employer-owned Life Insurance Policies and Employee Termination

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to **Senate Bill 860 - Trust-owned or Employer-owned Life Insurance Policies and Employee Termination**. ACLI opposes CT SB 860, which would change existing law to prohibit an employer from sustaining life insurance coverage on an employee whose employment terminates for any reason other than retirement.

The type of coverage addressed in Senate Bill 860 is often called Corporate-Owned Life Insurance (COLI). COLI is life insurance a corporate employer buys which covers one or more employees. COLI can be acquired on an individual or group basis and can take many forms. For example, it can be used to indemnify the employer for the loss of earnings or costs of replacing a key employee who becomes disabled or dies, or to finance the cost of a stock redemption agreement or a deferred compensation plan. COLI is also used as a financing vehicle for broad-based welfare benefit plans, such a health benefit plans. When, for example, retiree health benefits are provided through an insured health benefit plan, the policy's cash values can be used to finance the after-tax cost of the health insurance premiums for retired employees. When an insured retired employee dies, the policy death benefit allows the company to recover part or all of the costs of the plan. The policy values and death benefit also represent a source of funds which can be used to pay premiums for other employees who are covered under the plan.

Senate Bill 860 would nullify the important benefits these life insurance products provide to Connecticut employers and employees. Employers cannot anticipate when a crucial employee might depart for another job; or when an employee might become disabled; or when a corporate reorganization or the sale of an operating unit, subsidiary or affiliate might result in the transfer of employees to another employer. An employer in all such circumstances may still face liabilities for retirement, health and other benefits accruing to the departing employee. The ability to sustain COLI on the lives of such employees is important to their own welfare as well as to the employees remaining with the employer.

ACLI urges the committee to reject Senate Bill 860. Thank you for considering our position in opposition to Senate Bill 860. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 233 ACLI member companies licensed to do business in Connecticut, accounting for 90 percent of the ordinary life insurance in force in the state.

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